

Park24 Co., Ltd.



MAKING CITIES MORE COMFORTABLE

Semi Annual Report 2016

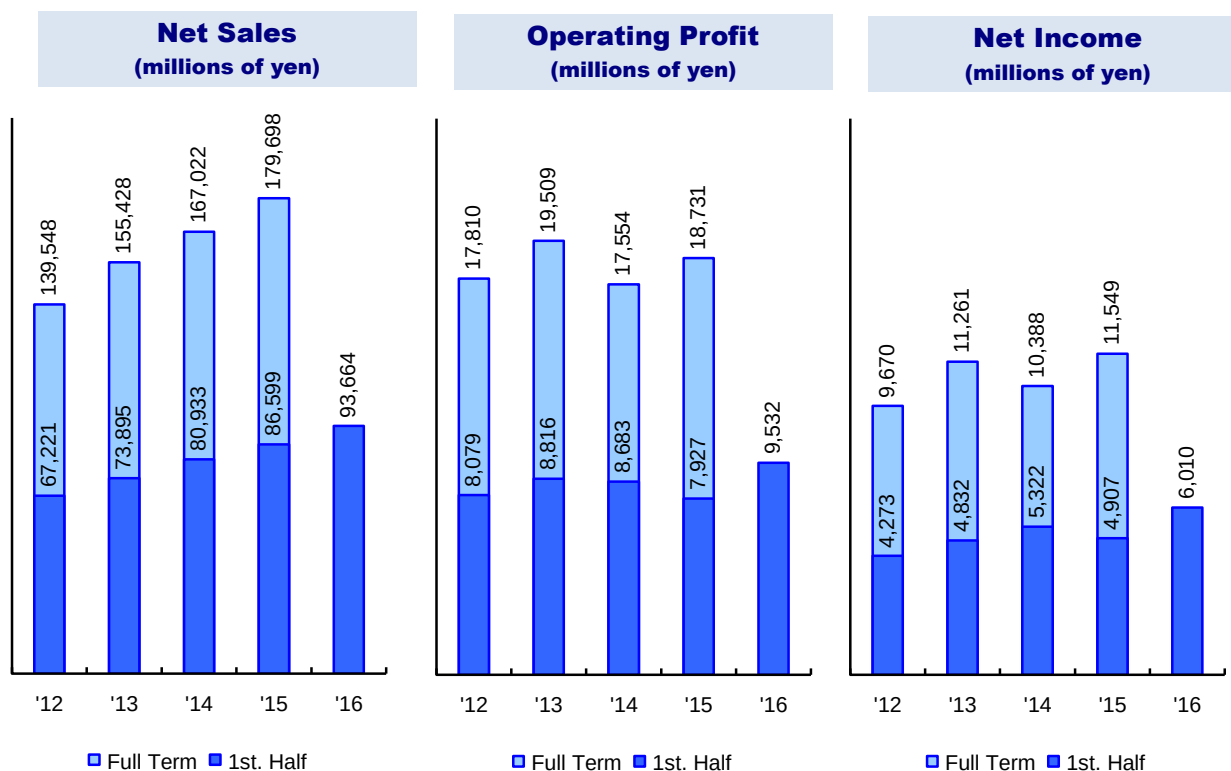
Year ended April 30, 2016



CONSOLIDATED FINANCIAL HIGHLIGHT (Unaudited)
For the six-month periods ended April 30, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note)	
	2015	2016	2016	
For the period:				
Net sales	¥ 86,599	¥ 93,664	\$ 838,007	
Parking business	65,549	69,645	623,110	
Mobility business	21,050	24,019	214,897	
Operating profit	7,927	9,532	85,282	
Net income	4,907	6,010	53,771	
At the end of the period:				
Total Net Assets	¥ 65,882*	¥ 64,415	\$ 576,317	
Total Assets	145,462*	145,507	1,301,843	
Per share data (Yen and U.S. dollars) :				
Net income				
Basic	¥ 33.77	¥ 41.25	\$ 0.37	
Diluted	31.90	38.92	0.35	
Shareholders' equity	404.59	438.75	3.93	
Number of Times parking spaces	499,473*	523,664		
Number of employees:	2,248*	2,415		

*As of October 31, 2015



TO OUR SHAREHOLDERS

[Qualitative Data, Financial Statements and Other Information]

1. Qualitative data on the consolidated financial results

During the first half of the consolidated fiscal year under review (from November 1, 2015 to April 30, 2016), the Japanese economy saw a moderate recovery thanks to improvements in the employment environment and corporate earnings, but the future of the economy remained uncertain as the current appreciation of the yen, low stock prices and the concern about decelerating growth in emerging economies, among other things, forced some companies to take a cautious approach to capital investment and had an adverse effect on consumer confidence.

In this environment, the Group sought to achieve a comfortable automobile society by aiming to expand its parking facilities and network of mobility services, which form the base of its services. Meanwhile, the Group sought to win over driver's support by introducing new services and enhancing its point program.

As a result, in the first six months under review, the Group posted net sales of 93,664 million yen (up 8.2% year on year), operating profit of 9,532 million yen (up 20.2%) and recurring profit of 9,308 million yen (up 17.4%). Comprehensive income attributable to owners of the parent stood at 6,010 million yen (up 22.5%).

Results by business segment are as follows:

Parking Business

The Group has built close relationships with land owners and has been seeking to gain dominance in the parking facilities through comprehensive, community-based development and sales, and consultation sales to major companies. Furthermore, the Group worked to enhance convenience for customers by such means as implementing rigorous management initiatives suited to the unique characteristics of each parking facility according to data analysis, which included making changes in fee systems and selling parking tickets to neighborhood stores, and accepting diverse means of settlement, which included introducing electric money and a card that enables corporate customers to pay in arrears, not only for parking in Times parking facilities but also for the use of the rent-a-car service and car sharing service.

As a result, the numbers of Times parking facilities and parking spaces managed at the end of the term under review were 15,412, up 2.8% from the end of the previous fiscal year, and 523,664, up 4.8%, respectively. The total number of parking facilities managed, including monthly parking and facility management services, rose 2.4% from the end of the previous fiscal year, to 16,800, and the total number of parking spaces managed increased 4.0%, to 633,698. Net sales in this segment (including intersegment sales) stood at 69,689 million yen (rising 6.3% year on year), and operating profit amounted to 11,831 million yen (up 10.2%).

Mobility Business

In the car sharing service, which now has over 610,000 members (compared to 549,058 members as at the end of the previous consolidated fiscal year), the weekday operation ratio is rising, reflecting an increase in the number of corporate members who use the service as a result of the Group's ongoing initiative to distribute cars at key transportation connection points other than Times parking facilities, such as stations and airports. As a measure for developing an environment where users can feel closer to the Group's rent-a-car service, it expanded the customer base of its simplified rent-a-car service, PitGo, which enables car sharing members to rent cars by holding a membership card over a scanner at rent-a-car premises, which is now offering the service to corporate members as well.

As a result, the total number of vehicles in the Mobility Business segment at the end of the term under review rose 4.9% from the end of the previous fiscal year, to 40,947 (of which the number of vehicles in the car sharing service was 14,917). Net sales in the segment (including intersegment sales) reached 24,047 million yen (increasing 14.0% year on year) and operating profit was 1,435 million yen (up 35.0%).

2. Qualitative data on the consolidated financial position

(i) Assets, liabilities and net assets

Total assets at the end of the second quarter under review rose 45 million yen from the end of the previous fiscal year, to 145,507 million yen. This primarily reflected increases of 974 million yen in other current asset in current assets, 2,767 million yen in machinery and vehicles and 1,055 million yen in investments and other assets, including long-term prepaid expenses, and a decrease of 4,219 million yen in cash on hand in banks.

Total liabilities increased 1,512 million yen, to 81,092 million yen. Major contributing factors included an increase of 2,381 million yen in accounts payable-other, in current liabilities, and decreases of 1,106 million yen in long- and short-term loans payable and 949 million yen in income taxes payable.

Net assets fell 1,467 million yen, to 64,415 million yen, as a result of an increase of 6,010 million yen due to the posting of a profit attributable to owners of parent and a decrease of 8,000 million yen due to dividend payments out of retained earnings.

(ii) Cash flow condition

Cash and cash equivalents at the end of the first six months of the consolidated fiscal year under review increase 4,053 million yen from the end of the previous consolidated fiscal year, to 15,845 million yen.

The cash-flow situation by category for the six months was as follows.

TO OUR SHAREHOLDERS

(Net cash from operating activities)

Net cash provided by operating activities increased 2,615 million yen year on year, to 18,339 million yen. This primarily reflected the total of depreciation and amortization and income before income taxes and minority interests of 19,831 million yen and income taxes paid of 4,613 million yen.

(Net cash from investing activities)

Net cash used in investing activities was 12,014 million yen (cash outflows increased 1,388 million yen year on year). This primarily reflected purchases of property, plant and equipment of 8,706 million yen associated with the opening of Times parking facilities and the acquisition of vehicles for service, and the purchase of long-term prepaid expenses of 1,910 million yen.

(Net cash from financing activities)

Net cash used in financing activities was 10,508 million yen (cash outflows increased 1,492 million yen year on year). This was chiefly attributable to dividend payments of 7,995 million yen and the repayment of long-term loans payable of 3,606 million yen, offsetting a net increase in short-term loans payable of 2,500 million yen, and proceeds from the issuance of common stock of 664 million yen.

TO OUR SHAREHOLDERS

3. Qualitative data on the consolidated earnings forecasts

The consolidated earnings forecasts for the fiscal year ending October 31, 2016 have not been changed from the figures announced on December 15, 2015 in the Consolidated Financial Report for the Fiscal Year Ended October 31, 2015.

4. Others

(1) Changes of important subsidiaries during the term
Not applicable

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements
Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates
(Application of the Accounting Standard for Business Combinations Etc.)
Starting the first quarter of the consolidated fiscal year under review, the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013) have been applied. Due to the application of these accounting standards, differences arising from changes in the Company's equity interests in the subsidiaries that the Company continues to control are recorded in capital surplus, and expenses related to acquisitions are recorded as expenses in the consolidated fiscal year when they are incurred. For business combinations implemented after the beginning of the first quarter, reviews of allocations of acquisition costs in provisional accounting are reflected in the quarterly consolidated financial statements for the quarters when the business combinations occur. In addition, the presentation of net income etc. has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reclassified.
The application of the Accounting Standard for Business Combinations and other standards follows the transitional arrangements stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. These standards are applied from the beginning of the first quarter and will be applied in the future.

This application of the accounting standards on earnings has no impact.

August 2016



Koichi Nishikawa
President

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2016 and October 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31	April 30	April 30
	2015	2016	2016
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 20,080	¥ 15,861	\$ 141,908
Notes and accounts receivable, trade	8,500	8,581	76,774
Less: allowance for doubtful accounts	(68)	(80)	(716)
Inventories	889	947	8,473
Prepaid expenses	7,952	7,787	69,670
Deferred tax assets	1,250	1,179	10,548
Other current assets	2,326	3,543	31,699
Total current assets	40,929	37,818	338,356
Property, plant and equipment:			
Buildings and structures	22,118	22,689	202,997
Machinery and vehicles	54,488	57,255	512,257
Equipment, furniture and fixtures	13,926	14,612	130,733
Lease assets	30,825	33,137	296,475
Land	24,304	24,304	217,446
Construction-in-progress	1,162	1,326	11,864
	146,823	153,323	1,371,772
Less: accumulated depreciation	(60,172)	(64,687)	(578,751)
Total property, plant and equipment, net	86,651	88,636	793,021
Investments and other assets:			
Investment securities	2,410	2,489	22,269
Intangible assets	1,615	1,808	16,176
Goodwill	540	463	4,142
Long-term prepaid expenses	7,520	7,889	70,582
Lease deposits	3,820	4,753	42,525
Net defined benefit assets	99	124	1,109
Deferred tax assets	1,055	1,025	9,171
Other assets	838	516	4,617
Less: allowance for doubtful accounts	(15)	(14)	(125)
Total investments and other assets	17,882	19,053	170,466
Total assets	¥ 145,462	¥ 145,507	\$ 1,301,843

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2016 and October 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31 2015	April 30 2016	April 30 2016
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable, trade	¥ 543	¥ 517	\$ 4,626
Short term borrowings	300	2,800	25,051
Current portion of long term debt	6,512	5,437	48,645
Current portion of lease obligation	3,967	4,012	35,895
Notes payable, other	3,143	3,842	34,374
Accounts payable, other	5,297	7,678	68,695
Accrued expenses	5,551	5,614	50,228
Accrued income taxes	4,509	3,560	31,851
Other current liabilities	3,398	3,373	30,178
Total current liabilities	33,220	36,833	329,543
Long-term liabilities:			
Long-term debt	32,781	30,250	270,645
Lease obligation	7,648	7,863	70,350
Asset retirement obligations	4,617	4,747	42,471
Other long-term liabilities	1,314	1,399	12,517
Total long-term liabilities	46,360	44,259	395,983
Net Assets:			
Shareholders' equity:			
Common stock	8,378	8,782	78,572
Authorized :			
2015 and 2016—283,680,000 shares			
Issued and outstanding:			
2015—145,429,204 shares,			
2016—145,925,704 shares			
Capital surplus	10,131	10,535	94,256
Retained earnings	48,014	46,024	411,774
Treasury stock, at cost (2015—977 shares, 2016—1,185 shares)	(2)	(2)	(18)
	66,521	65,339	584,584
Accumulated other comprehensive income:			
Net unrealized gains on securities	130	83	743
Revaluation surplus for land	(1,053)	(1,053)	(9,421)
Foreign currency translation adjustment	54	(95)	(850)
Accumulated adjustments for retirement benefit	(290)	(250)	(2,237)
Total accumulated other comprehensive income	(1,159)	(1,315)	(11,765)
Stock acquisition rights	520	391	3,498
Total net assets	65,882	64,415	576,317
Total liabilities and net assets	¥ 145,462	¥ 145,507	\$ 1,301,843

CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the six-month periods ended April 30, 2015 and 2016

	Thousands of U.S. dollars (Note 2)	
	2015	2016
Net sales:	¥ 86,599	¥ 93,664
Cost of sales:	65,230	69,146
Gross profit	21,369	24,518
Selling, general and administrative expenses:	13,442	14,986
Operating profit	7,927	9,532
Other expenses (income):		
Interest expense	34	35
Interest and dividend income	(4)	(4)
Expenses incurred for evacuation of parking facilities	188	179
Void parking ticket income	(79)	(84)
Equity in loss (earnings) of affiliates	9	(1)
Foreign exchange loss (gain)	(98)	111
Losses on disposal of property and equipments	22	-
Other, net	(41)	(12)
	31	224
Income before income taxes	7,896	9,308
Income taxes:		
Current	2,997	3,191
Deferred	(8)	107
	2,989	3,298
Income before minority interests	4,907	6,010
Minority interests in earnings of consolidated subsidiaries	-	-
Net income	¥ 4,907	¥ 6,010
	2015	2016
Per share of common stock :		
Net income		
Basic	¥ 33.77	¥ 41.25
Diluted	¥ 31.90	¥ 38.92
Cash dividends	¥ -	¥ -

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the six-month periods ended April 30, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2016	2016
Income before minority interests	¥ 4,907	¥ 6,010	\$ 53,771
Other comprehensive income			
Net unrealized gains on securities	19	(47)	(421)
Foreign currency translation adjustments	44	(52)	(465)
Accumulated adjustments for retirement benefit	49	40	358
Share of other comprehensive gain in affiliated companies	73	(97)	(868)
Total other comprehensive income	185	(156)	(1,396)
Comprehensive income	¥ 5,092	¥ 5,854	\$ 52,375
Comprehensive income attribute to:			
Shareholders of PARK24 Co., Ltd.	¥ 5,092	¥ 5,854	\$ 52,375

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the six-month periods ended April 30, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes	¥ 7,896	¥ 9,308	\$ 83,278
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,832	10,523	94,149
Retirement benefit costs	44	33	295
Interest and dividend income	(4)	(4)	(36)
Interest expense	34	35	313
Losses on disposal of property and equipments	22	-	-
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(121)	(89)	(796)
Inventories	1,211	1,524	13,635
Prepaid expenses	156	161	1,440
Notes and accounts payable, trade	(121)	(26)	(233)
Notes payable, property and equipment	(386)	(27)	(241)
Accounts payable, other	450	1,780	15,926
Other	310	(234)	(2,094)
Subtotal	19,323	22,984	205,636
Interest and dividend income received	4	4	36
Interest expense paid	(35)	(36)	(322)
Income taxes paid	(3,568)	(4,613)	(41,272)
Net cash provided by operating activities	15,724	18,339	164,078
Cash flows from investing activities:			
Increase in time deposits with deposit term of over three months	(6)	(6)	(54)
Decrease in time deposits with deposit term of over three months	6	6	54
Payments for purchase of property and equipment	(8,305)	(8,706)	(77,892)
Proceeds from sales of property and equipment	24	11	98
Payments of intangible assets	(287)	(423)	(3,784)
Payments for purchase of investment securities	-	(248)	(2,219)
Payment of long-term prepaid expenses	(1,802)	(1,910)	(17,089)
Other	(256)	(738)	(6,603)
Net cash used in investing activities	(10,626)	(12,014)	(107,489)
Cash flows from financing activities:			
Increase in short-term borrowings, net	1,600	2,500	22,368
Proceeds from long-term debt	1,150	-	-
Repayment of long-term debt	(2,735)	(3,606)	(32,263)
Repayment of lease obligations	(2,015)	(2,071)	(18,529)
Dividends paid	(7,241)	(7,995)	(71,531)
Proceeds from issuance of additional shares of common stock	225	664	5,941
Payments for purchase of treasury stock	-	0	0
Net cash provided by (used in) financing activities	(9,016)	(10,508)	(94,014)
Foreign currency translation adjustments on cash and cash equivalents	17	(36)	(322)
Net increase in cash and cash equivalents	(3,901)	(4,219)	(37,747)
Cash and cash equivalents at beginning of year	15,693	20,064	179,511
Cash and cash equivalents at end of year	¥ 11,792	¥ 15,845	\$ 141,764

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements of PARK 24 Co., Ltd. (the “Company”) and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. U.S. dollar amounts:

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥111.77=U.S.\$1, the rate of exchange on April 30, 2016, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

CORPORATE DATA

As of April 30, 2016

CORPORATE INFORMATION

Corporate Name

PARK24 Co., Ltd.

Stock Listing

First Section of the Tokyo Stock Exchange

Share Code/Ticker Symbol

4666/PKCOY

Date of Founding

August 26, 1971

(Date of Establishment: February 3, 1973)

Paid-in Capital

¥8,782 million

Fiscal Year-end

October 31

Number of Employees

261 (2,415 on a consolidated basis)

Overview of Operations**Parking Business**

Running Parking Sites Business

Management and operation of 24-hour, unmanned hourly parking facilities "Times"

Facility Management and Other Businesses

Outsourced management of parking sites,

Operation of monthly parking sites, etc.

Mobility Business

Rent-a-car Service, Car Sharing Service,

Road Assistance Service

Leading Banks

Sumitomo Mitsui Banking Corp.

Resona Bank, Ltd.

Mizuho Bank, Ltd.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mitsubishi UFJ Trust and Banking Corp.

Transfer Agent

Mitsubishi UFJ Trust and Banking Corp.

Accounting Auditor

Ernst & Young ShinNihon LLC

Group Main Company

Times24 Co., Ltd.

Times Service Co., Ltd.

Times Communication Co., Ltd.

Times Mobility Networks Co., Ltd.

Times Rescue Co., Ltd.

Times Support Co., Ltd.

Times Innovation Capital Co., Ltd.

Taiwan Park24 Parking Co., Ltd.

GS Park24 Co., Ltd. (Korea)

TPF1 Ltd.

BOARD OF DIRECTORS AND AUDITORS

Koichi Nishikawa

President and Representative Director

(Corporate Officer)

Kenichi Sasaki

Director

(Corporate Officer

General Manager of Planning and Administration Division)

Norifumi Kawakami

Director

(Corporate Officer

General Manager of Business Propulsion Division)

Keisuke Kawasaki

Director

Yoshimitsu Oura

Outside Director

Seishi Uenishi

Director (Audit and Supervisory Committee Members)

Kyosuke Kano

Outside Director

(Audit and Supervisory Committee Members)

Tsunekazu Takeda

Outside Director

(Audit and Supervisory Committee Members)